

# Hiring a Contractor Information Sheet

Building and Inspection hopes this information will provide you valuable insight as to some dos and don'ts when planning a construction project for your home. It is not all inclusive as to steps you should take when hiring a contractor.

Building projects can be fun and exciting when all the "up-front" work has been carefully contemplated. We look forward to working with you and/or your contractor.

## Building and Inspection suggestions

The Building and Inspection staff offer the following items to be aware of, for and during your construction project. We have also included a Department of Labor and Industry article and Minnesota Statutes regarding contractors.

### A. Before you begin

1. Take the time to read your contract carefully. If you are feeling uneasy with the contractor sitting there while you are reading it, tell them you need time to review it and you will contact them within an agreed upon time. If they are looking forward to your business, this should not be an inconvenience. It also affords you the time to verify with the Department of Labor and Industry that they are currently licensed and they do not have any issues pending with the Department. If any of their contract is printed too small for you to easily read, ask them to provide one that is of an appropriate size. (Do not just take their word for what has been written in small print.) More often than not the items written in small print are the ones you **should be** reading.
2. Get more than one bid.
3. Verify they have insurance to cover any accident that might occur on site with their employees.
4. Verify whether their company employees will be doing the construction work or whether they intend to sub-contract the work. If they are sub-contracting, lien waivers are extremely important. *See the following **Minnesota States 514.011 and 514.07**.* You may also go to [www.revisor.leg.state.mn.us](http://www.revisor.leg.state.mn.us) for a comprehensive view of state statutes involving liens.

### B. Orange permit card on site

Once the project has started there **must be an orange permit card on site at all times**. The card provides you the opportunity to review what inspections are taking place and when. It also informs you that the contractor has purchased a permit for your project. The inspectors will place a copy of their comments in the permit card and sign the appropriate box when the inspection has passed

their code requirements. **If you do not see your permit card on site, ask your contractor to post it.**

**Note:** An orange permit card is only issued when the project involves building construction. If you are just having plumbing, electrical or heating work done, the inspectors will leave an inspection sheet with their comments as to whether the inspection passed or failed.

### C. Required inspections

1. Depending on the nature of your project, you could have as few as one inspection or multiple inspections for undertakings such as additions.
2. The orange building permit card will show what inspections are required and the order in which they must be called for.
3. **If you have any questions during the project please call 952-563-8930** and a staff member will assist you in whatever way possible. When you call, please have your permit number(s) so we can access the information you need quickly.

### D. Final sign off

**When any permit is issued**, be it for a water heater, furnace, electrical, plumbing fixture, siding, roof, etc., **there must be at a minimum, a final inspection. Unless you have worked out other arrangements, it is your contractor's responsibility to call for the required inspection(s).** The City has no way of knowing when a job has been completed unless someone calls. You, the homeowner, are in the "driver's seat" as far as the financial payouts. Without seeing written proof by the City that your project has had a final inspection and has passed, you should not conclude your financial contract with the builder. A reputable contractor will be happy to show you the results of their inspections. **A reputable contractor should not ask for final payment on any type of work until they provide you with your inspection documents. The orange permit card is your record and should be given to you by the contractor at the completion of the job.**

## Hiring a contractor

*The article below has been reproduced by permission from the website of the Department of Labor and Industry. It has been reformatted for ease of reading and may be accessed within the City of Bloomington Web site, [www.ci.bloomington.mn.us](http://www.ci.bloomington.mn.us).*

*Do you plan to build a new home or remodel your present home?* Your first concern should be to make sure the contractor is licensed to work in Minnesota. If you hire an unlicensed contractor, you will not have access to the Contractors Recovery Fund. This is a fund that all licensed contractors pay into and it is used to compensate consumers who suffer a loss due to the contractor's actions.

The Department of Labor and Industry licenses residential builders, remodelers, roofers and manufactured home installers. Before hiring a contractor, they recommend that you ask for the contractor's license number and contact them to verify that the builder is licensed. You can also find out if he or she has been the subject of any disciplinary action.

The Department also advises consumers to ask the contractor for references and check with former customers to see if they were satisfied with the quality of work. Ask how long the contractor has been in business, and where, and ask for a Minnesota business address other than a post office box. Also ask for a local phone number where the contractor can be reached during normal business hours.

### Avoid hiring any contractor who:

- Arrives in an unmarked truck or van.
- Asks you to sign an "estimate" or "authorization" before you have decided to hire them.
- Appears to be willing to do the job at an unusually low price.
- Only provides a post office box for their business address.
- Requires full or substantial payment before work begins.
- Refuses to provide you with a written estimate or contract.
- Refuses to provide you with a Residential Builder license number.
- Refuses to provide you with references.
- Shows up at your door unsolicited.
- Uses high pressure sales tactics.

### Before signing

Before you sign a contract, make sure it includes:

- A detailed summary of the work to be done.
- A description of materials.
- The total price or how the price will be calculated.
- Specific timelines and provisions that address what will happen if the contractor fails to meet the contractual deadlines.

Consider a performance bond. Consumers are also advised to be aware that although the Contractors Recovery Fund

helps consumers recover losses from licensed contractors, the total amount that can be paid out against one licensed contractor is \$75,000. If multiple claims are made against the same contractor, they are prorated, and therefore an individual consumer may not recover their full loss. To provide additional protection, you may request that your contractor obtain a performance bond, which would provide a specific level of protection for your project.

If you have a problem or complaint with a residential building contractor, you should call 651-284-5069. A Department representative will discuss the situation with you and give you information on how to resolve the problem. You may also submit a written complaint for formal investigation.

### Do your homework before work begins

The Minnesota Department of Labor and Industry is reminding homeowners to do some homework before hiring a building contractor after a storm...or anytime.

Most contractors are reputable. However, some unscrupulous operators may attempt to take advantage of storm victims. **Before** hiring a contractor, call the department to verify that the contractor is licensed and to learn if there is any history of disciplinary action. **Do not sign anything** presented by a contractor unless you read the document very carefully and have made a firm decision to hire that contractor. Generally speaking, if you sign a piece of paper, it is a contract regardless of what the salesman tells you, and you are then obligated to its terms.

In some cases, a salesman for the contractor will explain that the company will work with the homeowner's insurance carrier to get a good settlement, and that the homeowner will not have to pay any more than the amount of their deductible. The salesman will then ask the homeowner to sign an "authorization" form to allow the salesman to contact the insurer. Many of the forms state that by signing, the homeowner agrees to have the contractor perform the work allowed by the insurance company in exchange for the insurance claim proceeds.

The homeowner may be left with the **mistaken** impression that they are still free to pursue bids from other contractors, even after signing the document. However, some of these contract forms contain small print (usually on the back of the document) that says if the homeowner cancels the contract after three business days, the homeowner will owe the contractor a percentage (usually from 15 to 50 percent) of the total claim settlement.

This becomes a problem when the homeowner finds another contractor that they prefer over the original contractor.

The Minnesota Department of Labor and Industry licenses residential builders, remodelers, roofers, and manufactured home installers. In order to work in Minnesota, these professionals **must** be licensed. If you hire an unlicensed contractor, you will not have access to the Contractor's Recovery Fund, which is available to compensate consumers who have suffered losses due to a contractor's fraudulent, deceptive, or dishonest practices.

**Minnesota Department of Labor and Industry contacts:**

[www.doli.state.mn.us/contractor.html](http://www.doli.state.mn.us/contractor.html)

Licensing Division ..... 651-284-5069

E-mail ..... DLI.Contractor@state.mn.us

**Minnesota Statutes 2003 – Chapter 514**

**Notice.**

**Subdivision 1. Contractors.** Every person who enters into a contract with the owner for the improvement of real property and who has contracted or will contract with any subcontractors or material suppliers to provide labor, skill or materials for the improvement, shall include in any written contract with the owner the notice required in this subdivision and shall provide the owner with a copy of the written contract. If no written contract for the improvement is entered into, the notice must be prepared separately and delivered personally or by certified mail to the owner or the owner's authorized agent within ten days after the work of improvement is agreed upon. The notice, whether included in a written contract or separately given, must be in at least 10-point bold type, if printed, or in capital letters, if typewritten, and must state as follows:

- (a) Any person or company supplying labor or materials for this improvement to your property may file a lien against your property if that person or company is not paid for the contributions.
- (b) Under Minnesota law, you have the right to pay persons who supplied labor or materials for this improvement directly and deduct this amount from our contract price, or withhold the amounts due them from us until 120 days after completion of the improvement unless we give you a lien waiver signed by persons who supplied any labor or material for the improvement and who gave you timely notice."

A person who fails to provide the notice shall not have the lien and remedy provided by this chapter.

The notice required by this subdivision is not required of any person who is an owner of the improved real estate, to any corporate contractor of which the owner of the improved real estate is an officer or controlling shareholder, to any contractor who is an officer or controlling shareholder of a corporation which is the owner of the improved real estate, or to any corporate contractor managed or controlled by substantially the same persons who manage or control a corporation which is the owner of the improved real estate.

**Subd. 2. Subcontractor to give notice.**

- (a) Every person who contributes to the improvement of real property so as to be entitled to a lien pursuant to section 514.01, except a party under direct contract with the owner must, as a necessary prerequisite to the validity of any claim or lien, cause to be given to the owner or the owner's authorized agent, either by personal delivery or by certified mail, not later than 45 days after the lien claimant has first furnished labor, skill or materials for the improvement, a written notice in at least 10-point bold type, if printed, or in capital letters, if typewritten, which shall state:

"This notice is to advise you of your rights under Minnesota law in connection with the improvement to your property.

Any person or company supplying labor or materials for this improvement may file a lien against your property if that person or company is not paid for the contributions.

We \_\_\_\_\_ have been hired  
(name and address of subcontractor)

by your contractor \_\_\_\_\_ to provide  
(name of your contractor)

\_\_\_\_\_ or \_\_\_\_\_ for this improvement.  
(type of service) (material)

To the best of our knowledge, we estimate our charges will be \_\_\_\_\_.  
(value of service or material)

If we are not paid by your contractor, we can file a claim against your property for the price of our services.

You have the right to pay us directly and deduct this amount from the contract price, or withhold the amount due us from your contractor until 120 days after the completion of the improvement unless your contractor gives you a lien waiver signed by me (us).

We may not file a lien if you paid your contractor in full before receiving this notice."

- (b) A person entitled to a lien does not lose the right to the lien for failure to strictly comply with this subdivision if a good faith effort is made to comply, unless the owner or another lien claimant proves damage as a direct result of the failure to comply.

**Subd. 3. Material suppliers, may request information.** A contractor who contracts with any subcontractors or material suppliers to provide labor, skill or materials for the improvement, shall upon request, provide the subcontractor or material supplier with the name and address of the owner within 10 days of the initial request. Any contractor who fails to supply the information requested pursuant to this subdivision, is liable for any actual damages sustained or expenses incurred by the subcontractor or material supplier because of the contractor's failure to provide the information, plus reasonable attorney fees and costs.

**Subd. 4. Repealed, 1981 c 213 s 4**

**Subd. 4a. Exceptions; same ownership.** The notice required by this section shall not be required to be given where the contractor is managed or controlled by substantially the same persons who manage or control the owner of the improved real estate.

**Subd. 5. Owner defined.** For the purposes of this section, "owner" means the owner of any legal or equitable interest in real property whose interest in the property (1) is known to one who contributes to the improvement of the real property, or (2) has been recorded or filed for record if registered land, and who enters into a contract for the improvement of real property.

**Subd. 6. Repealed, 1989 c 160 s 4**

Payments withheld; lien waivers.

The owner may withhold from the owner's contractor as much of the contract price as may be necessary to meet the demands of all persons, other than the contractor, having a lien upon the premises for labor, skill, or material furnished for the improvement, and for which the contractor is liable. The owner may pay and discharge all these liens and deduct the cost of them from the contract price. No owner shall be required to pay the owner's contract until the expiration of 120 days from the completion of the improvement, except to the extent that the contractor furnishes to the owner waivers of claims for mechanics' liens signed by persons who furnished labor, skill or material for the improvement and who have given the notice required by section 514.011, subdivision 2. The owner, within 15 days after the completion of the contract, may require any person having a lien hereunder, by written request therefore, to furnish to the owner an itemized and verified account of the person's lien claim, the amount of it, and the person's name and address. No action or other proceeding may be commenced for the enforcement of the lien until ten days after the statement is furnished. The word "owner," as used in this section, includes any person interested in the premises other than as a lienor.

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